

**STATE OF ILLINOIS
ILLINOIS GAMING BOARD**

RULE 1900.1170(d) ORDER

MARCH 15, 2021

*In re Hawthorne Race Course, Inc.
Super Bowl Parlays*

ORDER

This matter comes before the Illinois Gaming Board (the “Board” or “IGB”) under Section 1900.1170 (“Cancelled or Void Wagers”) of the Board’s Adopted Rules for Sports Wagering (the “Rules”). 11 Ill. Adm. Code 1900.1170. This Order issues under Rule 1170(d). 11 Ill. Adm. Code 1900.1170(d).

I. SUMMARY

On February 16, 2021, PointsBet Illinois LLC (“PointsBet”), on behalf of Hawthorne Race Course, Inc. (“Hawthorne”), submitted a request pursuant to Sports Wagering Rule 1900.1170(c) to cancel certain correlated parlay wagers on National Football League (“NFL”) Conference Championship Games (“Conference Championships”) and Super Bowl futures. An error in the configuration of the PointsBet sports wagering system caused PointsBet to accept correlated parlay wagers at incorrect odds. The error allowed these wagers to bypass manual review by PointsBet staff, and PointsBet would not have accepted these wagers but for the error that prevented manual review.

For the reasons discussed below, cancellation of the subject wagers is in the best interests of the State of Illinois and ensures the integrity of the Illinois sports wagering industry. Accordingly, PointsBet’s request is granted and the subject wagers are hereby cancelled.

II. RELEVANT FACTUAL BACKGROUND

PointsBet is a Management Services Provider Temporary Operating Permit Holder, conducting the sports wagering operation on behalf of Master Sports Wagering Licensee Hawthorne. During all relevant times, PointsBet offered wagering on NFL games (among other sports events), including moneyline wagers on immediately upcoming games and futures wagering on the 2021 Super Bowl prior to determination of the participants.¹ PointsBet offered parlay wagers, including parlays composed of both moneyline and futures wagers. A parlay is a wager

¹ In a “moneyline wager,” the patron bets on either participant in a contest, but with differing odds on each participant. A wager placed on the favored participant pays less than the amount of money risked, while wagering on the underdog pays more than the amount risked. A “futures wager” is placed on the outcome of an event to occur in the future, often before the final participants may even be determined.

made up of two or more component wagers or “legs,” (such as the outcome of two different sports events) where the patron must win every leg of the parlay to win the wager. Where the two legs are unrelated, such as a football game and a baseball game occurring simultaneously, the final odds of the wager can be automatically calculated from the odds offered for each leg. A correlated parlay is a wager made up of two or more component wagers where the success of one component makes the outcome of another component more or less likely to occur. An example of a correlated parlay is a parlay that includes wagering on the performance of a quarterback and whether his team wins the game. A strong performance by the quarterback in that example makes it more likely that his team will prevail. Most sports wagering operators either do not offer correlated parlays, or offer them only under specific circumstances with careful review to ensure their odds pricing accounts for the correlation between the component legs.

In advance of the NFL Conference Championships held on January 24, 2021, PointsBet elected to offer patrons the option to place parlay wagers, including parlays that involved both the outcome of a Conference Championship and the winner of the Super Bowl. These wagers would be correlated parlays, because a team necessarily must win its respective Conference Championship to have the opportunity to win the Super Bowl. A parlay where a patron wagered on Tampa Bay to win the Super Bowl in addition to winning its Conference Championship game should have been placed at the same odds as a wager that Tampa Bay would win the Super Bowl, given that the former (winning the Super Bowl) requires the latter (winning the Conference Championship) to have occurred.

Before the Conference Championships and the Super Bowl, PointsBet generally did not offer correlated parlays. The PointsBet sports wagering system was designed to automatically reject correlated parlays involving immediately pending games (also known as core markets). The system does not, however, automatically detect and reject correlated parlays when they include both a core market and a futures wager. Prior to offering correlated parlays in the lead up to the 2021 Super Bowl, PointsBet configured its sports wagering system in Illinois and other jurisdictions to require manual review of all such wagers. In theory, manual review would provide an opportunity for the PointsBet trading team to review all correlated parlays and ensure that PointsBet offered correct odds for each wager. Manual review would also allow PointsBet to reject certain wagers it did not wish to accept.

Due to human error in the configuration of the PointsBet sports wagering system, the limitations that would have triggered manual review of the correlated parlay wagers were not in place in Illinois. Accordingly, this error permitted Illinois patrons to place directly correlated parlay wagers on the outcome of the Championship Games and the Super Bowl. The odds that were automatically generated by the sports wagering system, by combining the odds of each individual leg of the parlay, did not accurately reflect the true odds of the outcome of the total wager. Contrary to the intent of the PointsBet configured wagering system, the PointsBet trading team did not have the opportunity to reject any correlated parlays wagers before the system accepted these bets. The Kansas City Chiefs and Tampa Bay Buccaneers won their respective Conference Championships and played in the Super Bowl on February 7, 2021, with Tampa Bay defeating Kansas City by a score of 31 to 9.

After the Super Bowl, PointsBet discovered the error and determined that it caused the PointsBet system to incorrectly accept certain correlated parlays that it would have otherwise rejected. Some Illinois bettors may have placed wagers without realizing they received incorrect pricing on their correlated parlays. Other bettors may have noticed the pricing error and placed strategic bets to exploit it. Review of the subject wagers shows a significant number of the patron accounts that placed all four possible outcomes of a Super Bowl winner also winning its respective Championship Game. The resultant odds guaranteed that the patron would win more money than he or she risked, no matter which team won the Super Bowl. That pattern of wagering suggests those patrons may have knowingly taken advantage of the pricing error. Further, a number of newly created patron accounts appear to have been created specifically to place these wager combinations. For example, some of these accounts logged in from the same device, which suggests a possible coordinated effort to take advantage of the pricing error.

PointsBet reported this information to the Board and requested cancellation of the wagers in accord with Rule 1170.

III. DISCUSSION

Our analysis begins with Sports Wagering Rule 1170(c). Under the Rule, a sports wagering operator may ask the Administrator to order the cancellation of certain wagers. Specifically, Rule 1170(c) provides as follows:

A master sports wagering licensee may request the Administrator to order the cancellation of all wagers of a specific type, kind, or subject. A request to cancel shall be in writing, and contain the following:

1. A description of the type, kind, or subject of wager the licensee is requesting to cancel;
2. A description of any facts relevant to the request; and
3. An explanation why cancelling the wagers is in the best interests of the State of Illinois or ensures the integrity of the Illinois sports wagering industry.

11 Ill. Adm. Code 1900.1170(c)

PointsBet submitted a request to cancel on February 16, 2021, which met the requirements of Rule 1170(c). Thus, we turn to Rule 1170(d) to guide our determination of PointsBet's Rule 1170(c) request. Rule 1170(d) as follows:

In determining whether to grant or deny the request, the Administrator shall consider any relevant factors, including, but not limited to the following:

1. Whether the alleged facts implicate the integrity of the sports event subject to the wager or the Illinois sports wagering industry;

2. Whether the alleged facts implicate possible illegal activity relating to the sports event or the Illinois sports wagering industry;
3. Whether allowing the wager would be unfair to wagering patrons and
4. Whether allowing the wager is contrary to public policy.

11 Ill. Adm. Code 1900.1170(d).

The first factor, integrity of Illinois' sports wagering industry, is of paramount importance. Legalized gambling in Illinois will succeed so long as public confidence and trust in the credibility and integrity of the gambling operations and the regulatory process is maintained. *See* 230 ILCS 10/2 (legislative intent of the Illinois Gambling Act). Sports wagering by definition includes some risk for each participant, including those offering the wagers. *See* 230 ILCS 45/25-10 (definition of wager). However, the acknowledgement of uncertainty does not mean that patrons are permitted to take advantage of inadvertent errors in the conduct of sports wagering, whether human or technological. *See*, 11 Ill. Adm. Code 1170(k) (permitting a sports wagering operator to declare void any wagers where there is obvious error in the placement of wagers). Requiring PointsBet to accept and honor wagers placed under the questionable circumstances present here would undermine the integrity of the Illinois sports wagering industry and invite future manipulation of betting markets. As such, the first factor weighs in favor of cancellation.

For similar reasons, the fourth factor – whether allowing the wagers to stand would be contrary to public policy – also favors cancellation in this instance. The Board's Sports Wagering Rules expressly allow sportsbooks to void a wager if a reasonable basis exists to believe there was obvious error in the placement or acceptance of the wager. 11 Ill. Adm. Code 1900.1170(k). A wager is voidable under the Rule where, as here, the wager was placed with incorrect odds or human error occurred in the placement of the wager. Additionally, the Illinois Gambling Act prohibits and criminalizes certain gambling conduct that unfairly benefits an individual bettor. *See generally*, 230 ILCS 10/18(d) (making certain behaviors a class 4 felony, including using a device to analyze probability or project the outcome of a gambling game, placement of wagers based on advanced knowledge not available to all players, or otherwise cheating at a gambling game). Public policy in Illinois is clear that wagering is to be conducted within the intended scope and rules permitted by the respective sportsbook or casino. Wagering outside of that permitted scope is contrary to effective gaming regulation and public policy.

Analysis of the second and third factors in Rule 1170(d) is not necessary to resolve the question presented by PointsBet's request. Accordingly, we express no view about these factors here.

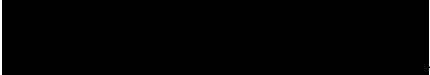
For the foregoing reasons, allowing the wagers at issue to stand would directly harm the integrity of the Illinois sports wagering industry and would be contrary to public policy.

IV. CONCLUSION

PointsBet Illinois LLC's request, made on behalf of Hawthorne Race Course, Inc., to cancel the identified correlated NFL Championship Game and Super Bowl parlays pursuant to 11 Ill. Admin. Code 1900.1170(c) is hereby **GRANTED**.

PointsBet is ordered to immediately refund all such correlated parlays regardless of outcome to affected Illinois patron sports wagering accounts, and to take commercially reasonable efforts to notify affected retail patrons pursuant to 11 Ill. Adm. Code 1900.1170(f).

Entered: March 15, 2021



Marcus D. Fruchter
Administrator
Illinois Gaming Board